

Fairfax County Economic Index

Volume II, Number 2

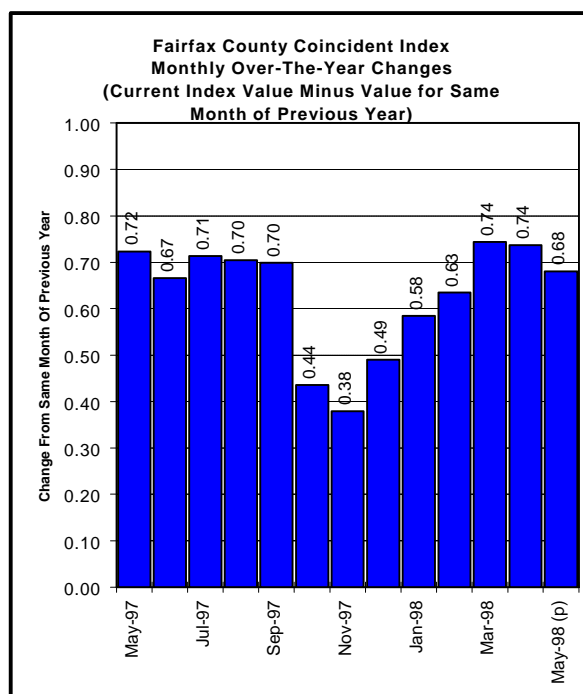
JULY 1998

Economy Slows Slightly in May Outlook Good For Remainder of Year

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased 0.03 percent to 103.85 in May for its first decline in six months. Over the first five months of 1998, the Coincident Index has gained 0.3 points with the greatest magnitude of these gains being achieved in March and April. For the past year, the Index has tracked a positive trend, running well above its twelve-month moving average line. In May, three of the Index's four components were positive.

- Total employment increased for the eighth consecutive month;
- Transient Occupancy Tax collections increased slightly in May gaining for a seventh month; and
- Consumer confidence increased for the fourth time in the last five months; while
- Seasonally adjusted sales tax receipts declined in real terms after gaining in the preceding two months.

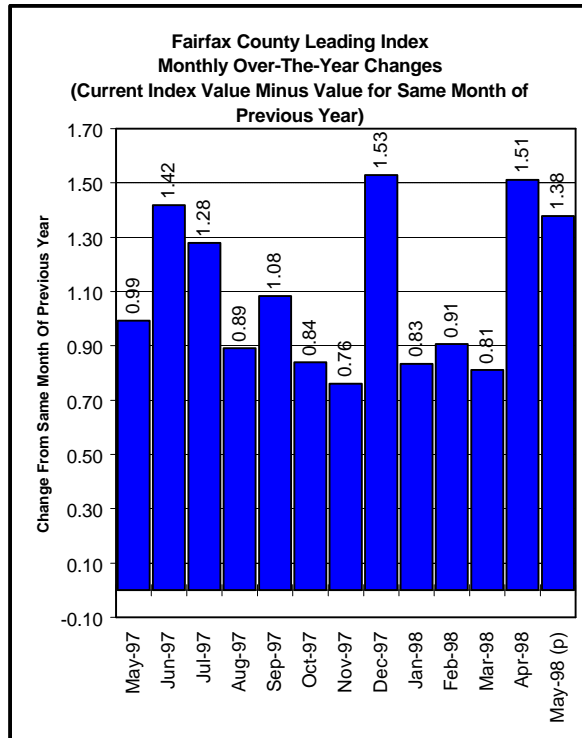
The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, retreated slightly in May to 105.41 after registering its largest one-month gain in more than year. Through five months in 1998, the Leading Index has been down three times, but its overall trend



Source: GMU Center for Regional Analysis.

remains slightly positive and, for the past twelve months, the Index is up a strong 1.3 percent. In May, the sharp decline of two of the Index's five components contributed to its negative performance.

- New automobile registrations declined after a sharp gain in April and have now been down in four of the year's first five months; and



Source: GMU Center for Regional Analysis.

- The mean value of residential building permits fell following April's strong performance and has now been down in three of the last four months; while
- Initial claims for unemployment insurance decreased (improved) significantly for a second month in a row;
- Consumer expectations (consumer confidence six months hence) increased attaining a new all-time peak; and
- Residential building permits increased slightly following a sharp decline in April.

CURRENT CONDITIONS

The Fairfax County economy registered strong performance coming out of last year's fourth quarter with growth peaking in March and April (all four of the Coincident Index's components were positive in consecutive months). The County's economic performance in May remained strong but

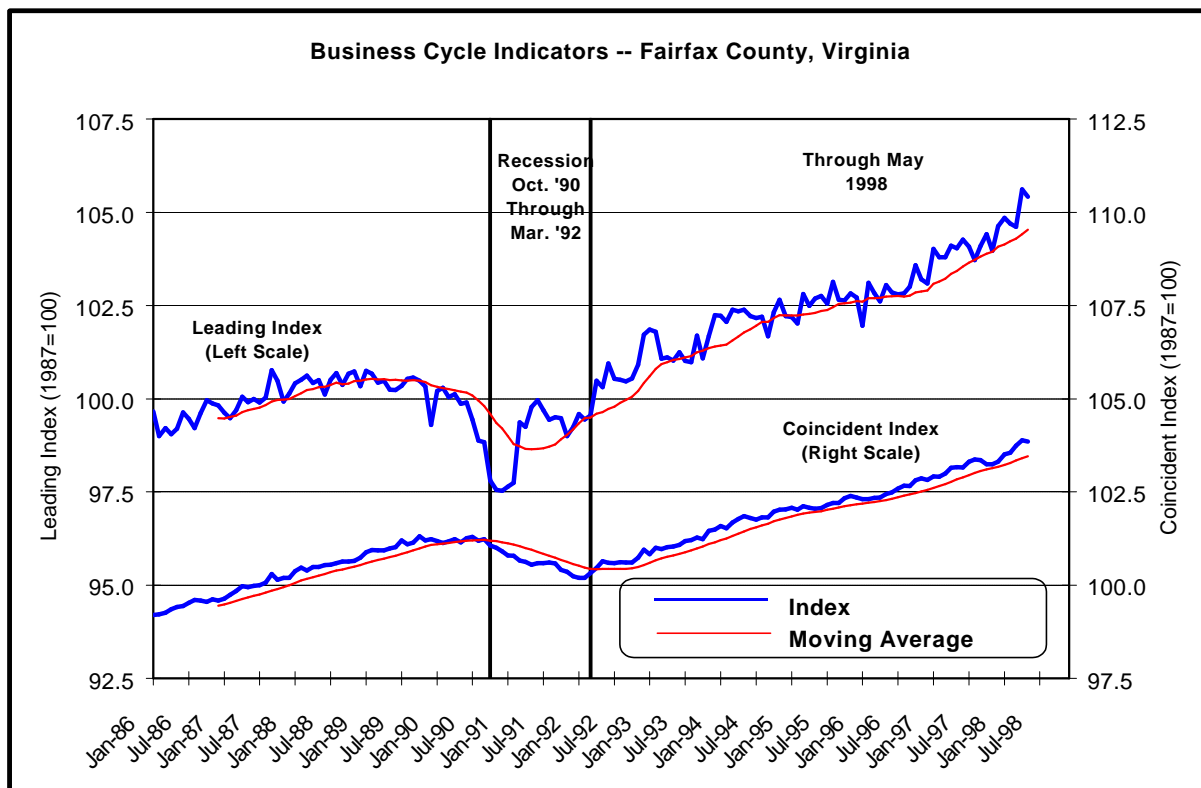
showed signs of slightly slower growth. These signs included a marginally slower rate of job growth—4.4 percent in April vs. 4.2 percent in May—and weaker retail sales.

Some of this weakening is explained by seasonal factors and some may be attributable to the general softening registered in both the metropolitan area and national economies. While the slowdown nationally is being driven by inventory buildup and growing foreign trade imbalances, these conditions are not having any measurable impact on the County's economy yet. In fact, the County's economy is performing well and continues to outpace the region and the nation.

Other variations that contributed to marginally weaker results in May are seen in a slight increase in unemployment, from a very low 1.4 percent in April to 1.5 in May, a level that is still more than one-half of the region's unemployment rate. While these rates are adjusted for seasonal variation, the large number of college students entering the job market in May can result in the appearance of a softer labor market. But, when measured against the unemployment levels elsewhere, Fairfax County labor market remains very tight. Furthermore, initial claims for unemployment insurance continue to fall and are now 35.2 percent lower than a year ago. With the resident labor force growing 1.1 percent over the last twelve months and job growth at 4.2 percent, Fairfax County has become a major commuter destination and source of jobs for non-local residents.

The dip in seasonally adjusted retail sales tax in May may also point to a shift in the mood of consumers. Even though consumer confidence set a new record in May, the rate of increase for both consumer confidence and consumer expectations slowed sharply from April. Growing consumer concerns regarding the volatility of the stock market, continuing weakness in Asia's financial markets, especially in Japan, and signs that the national economy may have stalled in the second quarter, may have contributed to the decrease in May's retail spending.

This same softening in retail spending was seen at the metropolitan level with a sharp decline



Source: GMU Center for Regional Analysis.

in nondurable goods sales. This decline was partially attributed to seasonal factors including fewer business visitors in May. While the County's hotels have been doing well over the past year, as measured by the 23.8 percent gain in the Transient Occupancy Tax, May's increase over April, on a seasonally adjusted basis, was just 0.06 percent. This performance is consistent with regional slowdown in the hospitality industry. This slowdown also may have contributed to the weaker retail sales in May.

NEAR-TERM OUTLOOK

The decline of May's leading indicators, following April's sharp increase, showed that their performance in April was not a new trend. Rather, the recent seesaw pattern of the Leading Index's performance with more moderate ups and downs was reaffirmed as the true trend. That is, while

the leading indicators continue to point to further expansion in the County's economy, not all are pointing in the same direction each month.

It is also evident that the monthly performance of the County's leading indicators are not reflecting any fundamental weaknesses in the local economy. Rather, their performance patterns suggest that on an individual basis, these indicators are quite sensitive to short-term conditions, such as were recently experienced in the stock market, but in aggregate they continue to track an upward trend.

This trend has been pushing upward consistently since mid-1991 with only temporary plateaus (the latest spanning the fourth quarter of 1995 into early 1996) and is clearly pointing towards further expansion. The duration and underlying strength of the Leading Index suggests that the expansion should continue straight into 1999 barring a major economic crisis at the national or international levels.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	May-98 Prelim.	Apr-98 Final	May-97 Final	Apr-98 to May-98	May-97 to May-98
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	103.85	103.88	103.17	-0.03	0.66
Leading Index (1987 = 100)	105.41	105.62	104.04	-0.19	1.32
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	469,084	468,335	450,084	0.16	4.22
<i>Total Covered Employment (Unadjusted)</i>	<i>469,717</i>	<i>464,607</i>	<i>450,692</i>	<i>1.10</i>	<i>4.22</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	341.9	341.7	276.1	0.06	23.84
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>483.8</i>	<i>471.6</i>	<i>379.6</i>	<i>2.58</i>	<i>27.45</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,075.2	8,019.1	6,727.8	-11.77	5.16
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,551.5</i>	<i>9,544.8</i>	<i>8,445.2</i>	<i>-10.41</i>	<i>1.26</i>
South Atlantic Consumer Confidence	176.4	175.6	159.5	0.46	10.60
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,300	6,589	4,272	-19.57	24.05
<i>Automobile Registrations (Unadjusted)</i>	<i>5,850</i>	<i>6,478</i>	<i>4,716</i>	<i>-9.69</i>	<i>24.05</i>
Initial Unemployment Claims (Seasonally Adjusted)	530	631	819	-15.91	-35.20
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>486</i>	<i>625</i>	<i>750</i>	<i>-22.24</i>	<i>-35.20</i>
South Atlantic Consumer Expectations	120.6	119.9	117.6	0.58	2.55
Residential Building Permits (Number of Units, Seasonally Adjusted)	521	518	511	0.41	1.86
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>549</i>	<i>541</i>	<i>539</i>	<i>1.48</i>	<i>1.86</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	65,471	81,593	77,846	-19.76	-15.90
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>88,332</i>	<i>114,523</i>	<i>104,005</i>	<i>-22.87</i>	<i>-15.07</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	536,133	534,019	527,331	0.40	1.67
<i>Total Labor Force (Unadjusted)</i>	<i>538,267</i>	<i>533,165</i>	<i>529,430</i>	<i>0.96</i>	<i>1.67</i>
Unemployment Rate (Percent, Seasonally Adjusted)	1.52	1.38	2.43	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.53</i>	<i>1.27</i>	<i>2.45</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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We are on the web at:
**[www.co.fairfax.va.us/comm/
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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